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FOR INFORMATION CONTACT
David O'Brien, Commissioner, 802/828-2321

DEPARTMENT OF PUBLIC SERVICE FILES AGREEMENTS THAT CVPS AND GMP WILL HOLD RATES STEADY, REDUCE RATE OF RETURN

MONTPELIER – The Vermont Department of Public Service today filed agreements with the state's two largest utilities that, if approved by the Public Service Board, will hold rates steady until January 1, 2005, and provide a cap on GMP rate increases for two additional years through 2006. The settlements also reduce and cap the utilities' allowed rate of return on equity and provide a mechanism to automatically return any over-earnings to the benefit of customers.

"The settlements we have filed today provide substantive benefits to Vermonters served by these two utilities. The plans provide Vermont consumers with protection from the volatility of today's electric wholesale markets by an agreement that the companies will not seek increases in current electric rates for at least the next 18 months. This stability is positive for all consumers, protecting residential ratepayers from unexpected household expenses, and allowing businesses to predict their medium-term costs of power," said DPS Commissioner David O'Brien.

The review of CVPS and GMP was prompted by the sale of the Vermont Yankee nuclear power plant. The objective was to assure that any possible benefits from the sale would flow to Vermont ratepayers. O'Brien said, "Our review convinced us that the companies' business risks had been reduced and led to the reduction in the allowed rate of return."

"By reaching a negotiated settlement of these two cases, we were able to achieve a number of goals that likely could not be achieved through litigation," said O'Brien. "The rate provisions and earnings cap are not outcomes that can be imposed on utilities, so achieving these results through negotiation, along with the other benefits included in the agreements, offers substantial benefit to the people of the state. We are convinced that this settlement is in the best interests of the ratepayers."

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Highlights of the GMP plan include:

- **$** Rate stability: GMP will not seek an increase in rates until January 1, 2005, and will increase rates by 1.9% on January 1, 2005, and .9% on January 1, 2006. GMP's last increase was 3.42% on January 1, 2001. Before each of the planned increases may go into effect, GMP must make cost of service filings with the DPS and the Public Service Board that support the rate increase.

- **$** Reduction in allowed earnings: A reduction in GMP's allowed return on equity from its current 11.25% to 10.5%. Any over-earnings during 2003 and 2004 would be applied to reduce GMP=s future expenses to the benefit of ratepayers. In addition, any earnings over the allowed rate of return would be refunded to consumers in the form of bill credits in 2005 and 2006.

Highlights of the CVPS plan include:

- **$** Rate stability: CVPS will not seek an increase in rates before January 1, 2005. CVPS's last increase was 3.95% on July 1, 2001.

- **$** Reduction in allowed earnings: A reduction in CVPS's allowed return on equity from its current 11% to 10.5%. Any over-earnings during 2003 and 2004 would be applied to reduce CVPS=s future expenses to the benefit of ratepayers.

The agreement provides that in case of extraordinary costs due to a devastating storm or other unusual calamities that the utilities will have the opportunity to seek rate recovery for these costs.

Both utilities agreed to negotiate alternative regulation plans under a new law passed this legislative session. The utilities also will file a fully allocated cost-of-service analysis and rate redesign, which are a necessary foundation for alternative regulation, and will determine whether costs are properly allocated among classes of customer.